

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name TOWNSHIP OF MCMILLAN	County ONTONAGON
Fiscal Year End 03/31/2006	Opinion Date 09/22/2006	Date Audit Report Submitted to State 09/28/2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

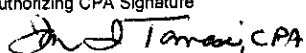
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) JON J. TOMASI, CPA		Telephone Number (906)575-3206	
Street Address 208 BIRCH STREET		City BERGLAND	State MI
		Zip 49910	
Authorizing CPA Signature 		Printed Name JON J. TOMASI	
		License Number	

TOWNSHIP OF McMILLAN - EWEN, MICHIGAN
ONTONAGON COUNTY
FINANCIAL REPORT
REPORT ON FINANCIAL STATEMENTS
(with additional information)
March 31, 2006

TABLE OF CONTENTS

Audited Financial Statements

Independent Auditor's Report.....	Page 4
Management's Discussion and Analysis (Unaudited).....	6
Statement of Net Assets.....	13
Statement of Activities.....	14
Governmental Funds-Balance Sheet.....	15
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Assets.....	16
Governmental Funds-Statement of Revenues, Expenditures and Changes in Fund Balance.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Proprietary Funds-Statement of Net Assets.....	19
Proprietary Funds-Statement of Revenues, Expenses and Changes in Net Assets.....	20
Proprietary Funds-Statement of Cash Flows.....	21
Fiduciary Funds-Statement of Fiduciary Net Assets....	22
Notes to Financial Statements.....	23

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

General Fund-Budgetary Comparison Schedule.....	40
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OTHER SUPPLEMENTAL INFORMATION

Major Governmental Funds-General Fund-Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual	43
Enterprise Fund-Combining Balance Sheet.....	49
Enterprise Fund-Combining Statement of Revenues, Expenses and Changes in Retained Earnings.....	50
Enterprise Funds-Combining Statement of Cash Flows..	52
Fiduciary Funds-Combining Statement of Net Assets...	56

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit Of Financial Statements Performed in Accordance with Governmental Auditing Standards	57
Comments and Recommendations Letter.....	59

Jon J. Tomasi
Certified Public Accountant
208 Birch Street
Bergland, Michigan 49910

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Township of McMillan
Ewen, Michigan

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Ironwood, Michigan, as of and for the year ended March 31, 2006 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the township's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Township of McMillan, as of March 31, 2006, and the respective changes in financial position and cash flows thereof for the calendar year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 19, 2006, on my consideration of the Charter Township of Ironwood's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants, agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance

and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and the required supplemental information identified in the Table of Contents are not a required part of the basic financial statements, but are supplementary information required by the *Government Accounting Standards Board*. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Township of McMillan's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, it is fairly presented in all material respects in relation to the financial statements taken as a whole.



Certified Public Accountant
Bergland, Michigan
September 19, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MCMILLAN
(Unaudited)

Year ended March 31, 2006

Management's Discussion and Analysis

The Township of McMillan's Management Discussion and Analysis is intended to assist the reader to focus on significant financial issues, provide an overview of the Township's financial activity, and identify changes in the Township's financial position including its ability to address the next and subsequent year's challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments* and is intended to provide the financial results for the year ending March 31, 2006. GASB 34 requires the presentations of two basic types of financial statements: Government-wide Financial Statements and Fund Financial Statements.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded mostly by State revenue sharing, property taxes and charges for services.

The statement of net assets, as stated previously, shows the Township's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the Township generally is. This shows if the Township will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on a revenue less expenditure basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MCMILLAN
(Unaudited)

Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains one governmental fund. Information is presented in the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balance for the general fund (considered a major fund).

Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

The Township adopts an annual budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund and is included in the "Required Supplementary Information" section of this report.

Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund - an enterprise fund. The enterprise fund of the Township is used to report the same functions as the business-type activities in the government-wide financial statements. The Water and Sewer Fund is presented in both the government-wide financial

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MCMILLAN
(Unaudited)

statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis to be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds for the Township are the Tax Collection Fund and Jensen Trust Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to Financial Statements

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

Government-wide Financial Statements - Condensed Financial Information

Statement of Net Assets

The following table shows the Financial Analysis of the Township as a whole with a detailed analysis of the statement below.

Summary of Net Assets

	Governmental		Business-Type	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
ASSETS				
Current Assets:	\$ 37,461	\$ 32,693	\$ 181,379	\$ 180,227
Net Capital Assets	<u>112,238</u>	<u>112,048</u>	<u>3,046,114</u>	<u>3,116,957</u>
Total Assets	<u>\$ 149,699</u>	<u>\$ 144,741</u>	<u>\$3,227,493</u>	<u>\$3,297,184</u>
LIABILITIES				
Current Liabilities	54,656	41,499	19,486	20,183
Non-Current Liabilities	<u> </u>	<u> </u>	<u>850,000</u>	<u>868,000</u>
Total Liabilities	<u>\$ 54,656</u>	<u>\$ 41,499</u>	<u>\$ 869,486</u>	<u>\$888,183</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MCMILLAN
(Unaudited)

	<u>Governmental</u>		<u>Business-Type</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
NET ASSETS				
Invested in Capital Assets, net of related debt	112,238	112,048	2,112,594	2,165,198
Restricted			71,926	71,926
Unrestricted	<u>(17,195)</u>	<u>(8,806)</u>	<u>173,487</u>	<u>171,877</u>
Total Net Assets	<u>\$ 95,043</u>	<u>\$ 103,242</u>	<u>\$2,358,007</u>	<u>\$2,409,001</u>
Total Net Assets and Liabilities	<u>\$149,699</u>	<u>\$144,741</u>	<u>\$3,227,493</u>	<u>\$3,297,184</u>

The Township's governmental net assets totaled \$95,043 at March 31, 2006 compared to \$103,242 at March 31, 2005. Total assets can be separated into three categories: investment in capital assets, net of related debt, restricted and unrestricted. Net capital assets are a combination of funds available for capital assets less accumulated depreciation. The original cost of capital assets was \$195,746 and the accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP) depreciation expense is recorded on the original cost of the asset less any estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation was \$83,508 for 2006 and \$73,028 for 2005. The remaining balance in unrestricted assets represent a deficit balance of \$17,195 for 2006 and \$8,806 for 2005. The business type net assets totaled \$2,358,007 at March 31, 2006 compared to \$2,409,001 at March 31, 2005. The original cost of capital assets was \$3,760,795 for 2006 and \$3,745,595 for 2005 and accumulated depreciation was \$786,607 for 2006 and \$700,764 for 2005. The remaining balance in unrestricted assets represents an excess balance of \$173,487 for 2006 and \$171,877 for 2005.

Results of Operations

The results of this year's operations for the Township as a whole as reported in the statement of activities. A summary of the Township-wide results of operations for year 2006 and 2005 is as follows:

	<u>Governmental</u>		<u>Business-Type</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Program Revenue:				
Charges for services	7,982	8,360	140,255	256,878
Operating Grant	<u>16,190</u>	<u>23,849</u>		
Total Program Revenue	24,172	32,209	140,255	256,878

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MCMILLAN
(Unaudited)

	<u>Governmental</u> <u>2006</u>	<u>2005</u>	<u>Business-Type</u> <u>2006</u>	<u>2005</u>
General Revenue:				
Property taxes	73,683	70,190		
State Shared Revenue	48,194	48,689		
Investment Earnings				
Other	<u>2,271</u>	<u>1,995</u>		
Total General Revenue	<u>124,148</u>	<u>120,874</u>		
Total Revenue	<u>\$ 148,320</u>	<u>\$ 153,083</u>	<u>\$ 140,255</u>	<u>\$ 256,878</u>
Expenses:				
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General Government	46,580	49,479		
Public Safety	29,881	25,272		
Public Works	25,592	30,558		
Other	39,701	39,206		
Recreation and Culture	14,765	13,210		
Water and Sewer			<u>191,249</u>	<u>199,290</u>
Total Expenditures	<u>156,519</u>	<u>157,725</u>	<u>191,249</u>	<u>199,290</u>
Increase (Decrease) in Net Assets	(8,199)	(4,642)	(50,994)	57,588
Net Assets January 1	<u>103,242</u>	<u>107,884</u>	<u>2,409,001</u>	<u>2,351,413</u>
Net Assets, December 31	<u>\$ 95,043</u>	<u>\$103,242</u>	<u>\$2,358,007</u>	<u>\$2,409,001</u>

Governmental Fund Financial Highlights

The overall condition of the governmental funds decreased during fiscal 2006. Several factors that contributed to the situation included a decrease in revenue totaling \$4,763. Expenditures were decreased by \$1,206.

Proprietary Fund/Business-Type Activities

The overall condition of the proprietary funds has decreased in fiscal 2006. Operating revenue increased by \$5,953, and operating expenses decreased by \$7,376 but still resulted in operating loss of \$11,784 (down from \$25,113 for 2005)

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MCMILLAN
(Unaudited)

General Fund Budgetary Highlights

The Township did not amend its general fund budget. Actual revenue exceeded budgeted revenue by \$45,320 and actual expenditures were less than budgeted expenditures by \$23,491. Negative budget variances were in the areas of Library Penal Fines, Public Safety and Recreation and Culture.

Total Revenues

Below is a summary of the governmental fund revenues and their percentages as they relate to governmental funds:

	Total Revenue		Total Revenue	
	<u>2006</u>	<u>Percentage</u>	<u>2005</u>	<u>Percentage</u>
Taxes	\$ 73,683	49.7%	\$ 70,190	45.9%
Licenses and Permits	1,560	1.1	2,387	1.6
State Grants	53,158	35.8	54,725	35.7
Charges for Services	2,000	1.3	1,501	.9
Interest and Rent	550	.4	550	.4
Other	<u>17,369</u>	<u>11.7</u>	<u>23,730</u>	<u>15.5</u>
Total Revenue	\$ 148,320	100.0%	\$153,083	100.0%

Below is a summary of the governmental fund expenditures and their percentages as they relate to total governmental funds.

	Total Expenditures		Total Expenditures	
	<u>2006</u>	<u>Percentage</u>	<u>2005</u>	<u>Percentage</u>
Legislative	\$ 1,950	1.2%	\$ 1,800	1.2%
General Government	44,285	28.3	46,989	32.1
Public Safety	32,355	20.6	17,377	11.9
Public Works	25,190	16.1	30,156	20.6
Recreation and Culture	38,164	24.4	36,962	25.2
Other	<u>14,765</u>	<u>9.4</u>	<u>13,210</u>	<u>9.0</u>
Total Expenditures	\$156,709	100.0%	\$146,494	100.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MCMILLAN
(Unaudited)

Capital Assets and Debt Administration

At the end of fiscal 2006, the Township had \$112,238 invested in land and building, furniture, vehicles and equipment compared to \$112,048 at the end of 2005.

Other Economic Factors and Next Years Budget

Economic Factors

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state budget cuts will likely translate into strategic reductions of Township expenses to maintain a sound budget. Despite the poor outlook of the state's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families and maintain a safe and clean community in which to live.

Request for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Township of McMillan
P.O. Box 267
Ewen, MI 49925

TOWNSHIP OF MCMILLAN

STATEMENT OF NET ASSETS
For the year ended March 31, 2006

	Primary Government Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$27,103	\$97,325	\$124,428
Investments			
Receivables (Net)	\$10,358	46,822	57,180
Due from Other Funds		37,232	37,232
Inventories			
TOTAL CURRENT ASSETS	37,461	181,379	218,840
NON-CURRENT ASSETS			
Cash Reserves		71,926	71,926
Capital Assets--Net	112,238	2,974,188	3,086,426
TOTAL NON-CURRENT ASSETS	112,238	3,046,114	3,158,352
TOTAL ASSETS	149,699	3,227,493	3,377,192
LIABILITIES			
Accounts Payable	20,074	730	20,804
Accrued Other Liabilities	4,512	11,594	16,106
Due to Other Funds	30,070	7,162	37,232
Deferred Revenue			
TOTAL CURRENT LIABILITIES	54,656	19,486	74,142
NON-CURRENT LIABILITIES			
Due Within One Year		18,000	18,000
Due in More Than One Year		832,000	832,000
TOTAL NON-CURRENT LIABILITIES		850,000	850,000
TOTAL LIABILITIES	54,656	869,486	924,142
NET ASSETS			
Invested in Capital Assets--Net of Related Debt	112,238	2,112,594	2,224,832
Restricted-Debt Service		71,926	71,926
Unrestricted	(17,195)	173,487	156,292
TOTAL NET ASSETS	\$95,043	\$2,358,007	\$2,453,050

The notes to financial statements are an integral part of these statements

TOWNSHIP OF MCMILLAN
STATEMENT OF ACTIVITIES
For the year ended March 31, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Primary Government						
General Government	\$46,580	\$2,567			(\$44,013)	(\$44,013)
Public Safety	29,881	2,755			(27,126)	(27,126)
Public Works	25,592				(25,592)	(25,592)
Health and Welfare						0
Community and Economic Development						
Recreation and Culture	39,701	2,660	16,190		(20,851)	(20,851)
Other	14,765				(14,765)	(14,765)
Total Governmental Activities	156,519	7,982	16,190		(132,347)	(132,347)
Business-Type Activities						
Water and Sewer	191,249	140,255			(50,994)	(50,994)
Total Primary Government	347,768	148,237	16,190		(132,347)	(183,341)
General Revenues						
Property Taxes					73,683	73,683
State-Shared Revenues					48,194	48,194
Unrestricted Investment Earnings						
Right of Way Funds					2,271	2,271
Total General Revenues					124,148	124,148
Change in Net Assets					(8,199)	(59,193)
Net Assets--Beginning					103,242	2,409,001
Net Assets--Ending					\$95,043	\$2,358,007
						\$2,453,050

The notes to Financial Statements are an integral part of this statement

TOWNSHIP OF MCMILLAN
GOVERNMENTAL FUNDS
BALANCE SHEET
March 31, 2006

	General Fund	Totals Governmental Funds
<hr/>		
ASSETS		
Cash and Equivalents	\$27,103	\$27,103
Investments		
Receivables--Net	9,300	9,300
Due from Other Funds	1,058	1,058
Receivable from Other Governments		
Inventories		
 TOTAL ASSETS	<hr/> 37,461 <hr/>	<hr/> 37,461 <hr/>
 LIABILITIES		
Accounts payable	24,586	24,586
Due to Other Funds	30,070	30,070
Payable to Other Governments		
Deferred Revenue		
 TOTAL LIABILITIES	<hr/> 54,656 <hr/>	<hr/> 54,656 <hr/>
 FUND BALANCES		
Unreserved	(17,195)	(17,195)
 TOTAL FUND BALANCE	<hr/> (17,195) <hr/>	<hr/> (17,195) <hr/>
 TOTAL LIABILITIES AND FUND BALANCE	<hr/> \$37,461 <hr/>	<hr/> \$37,461 <hr/>

The notes to the Financial Statements are an integral part of this report

TOWNSHIP OF MCMILLAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2006

Total Fund Balances for Governmental Funds	(\$17,195)
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*Amounts reported for governmental activities in this statement
of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	112,238
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Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$95,043</u>
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The notes to the Financial Statements are an integral part of this report

TOWNSHIP OF MCMILLAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year ended March 31, 2006

	General Fund	Totals Governmental Funds
REVENUES		
Taxes	\$73,683	\$73,683
Licenses and permits	1,560	1,560
State grants	53,158	53,158
Charges for services	2,000	2,000
Interest and rentals	550	550
Other	17,369	17,369
TOTAL REVENUES	148,320	148,320
EXPENDITURES		
Legislative	1,950	1,950
General government	44,285	44,285
Public safety	32,355	32,355
Public works	25,190	25,190
Health and welfare		
Culture and recreation	38,164	38,164
Capital outlay		
Contingency		
Other	14,765	14,765
Miscellaneous		
TOTAL EXPENDITURES	156,709	156,709
EXCESS OF REVENUE (EXPENDITURES)	(8,389)	(8,389)
OTHER FINANCING SOURCES (USES)		
CHANGE IN FUND BALANCE	(8,389)	(8,389)
FUND BALANCE APRIL 1, 2005	(8,806)	(8,806)
FUND BALANCE MARCH 31, 2006	(17,195)	(17,195)

The notes to Financial Statements are an integral part of this statement

TOWNSHIP OF MCMILLAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
For the Fiscal Year Ended March 31, 2006

Net Change in Fund Balance-Total Governmental Funds (\$8,389)

*Amounts reported for governmental activities in this statement
of net assets are different because:*

Governmental funds report capital outlays as expenditures.
However, in the statement of activities the cost of these assets is allocated over
their estimated useful lives as depreciation expense. This is the amount by
which capital outlays exceed depreciation in the current period.

Capital Outlays	10,671	
Depreciation Expense	(10,481)	
Other		190

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>(\$8,199)</u>
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The notes to the Financial Statements are an integral part of this report

TOWNSHIP OF MCMILLAN
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 March 31, 2006

	Business-Type Activities Enterprise Funds
	Water and Sewer Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and cash equivalents	\$97,325
Cash and cash equivalents-restricted	71,926
Accounts receivable, net	46,822
Due from other funds	37,232
TOTAL CURRENT ASSETS	<u>253,305</u>
Non-current Assets:	
Utility Plant in Service-Water	1,478,405
Utility Plant in Service-Sewer	2,202,848
Building and Structures	24,042
Equipment	55,500
Accumulated Depreciation	(786,607)
TOTAL NON-CURRENT ASSETS	<u>2,974,188</u>
TOTAL ASSETS	<u>3,227,493</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	730
Due to other Funds	7,162
Accrued Interest Payable	11,594
Current Portion of Noncurrent Liabilities	18,000
TOTAL CURRENT LIABILITIES	<u>37,486</u>
Non-current Liabilities:	
Bonds and Loans Payable	832,000
TOTAL NONCURRENT LIABILITIES	<u>832,000</u>
TOTAL LIABILITIES	<u>869,486</u>
NET ASSETS:	
Invested in capital assets net of related debt	2,112,594
Restricted-debt service	71,926
Unrestricted	173,487
TOTAL NET ASSETS	<u>\$2,358,007</u>

The notes to financial statements are an integral part of these statements

TOWNSHIP OF MCMILLAN
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 For the fiscal year ended March 31, 2006

	Business-Type Activities
	Enterprise Funds
	Water and Sewer Fund
OPERATING REVENUES	
Charges for services (net)	\$136,593
Other operating revenue	3,600
TOTAL OPERATING REVENUES	140,193
OPERATING EXPENSES	
Operating expenses	66,134
Depreciation	85,843
TOTAL OPERATING EXPENSES	151,977
OPERATING INCOME (LOSS)	(11,784)
NON-OPERATING REVENUES (EXPENSES)	
Investment income	62
Interest Expense	(39,272)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(50,994)
NET ASSETS, APRIL 1	2,409,001
NET ASSETS, END OF YEAR	\$2,358,007

The notes to financial statements are an integral part of these statements

COMBINED STATEMENT OF CASH FLOWS-ALL PROPRIETARY FUND TYPE
TOWNSHIP OF McMILLAN
Year ended March 31, 2006

Cash flows from operating activities:	
Cash received from customers	\$138,178
Cash paid to suppliers	(47,785)
Payments to employees	(18,974)
Internal Activity-Payments to Other Funds	(18,116)
NET CASH PROVIDED BY OPERATING ACTIVITIES	53,303
Cash flows from capital and related financial activities:	
Construction Grant	
Principle and Interest on Long Term Debt	(57,344)
Equipment Reimbursement	(6,200)
Construcion of Utility Plant	(8,800)
	(72,344)
Cash flows from investing activities-interest earned	62
NET INCREASE IN CASH	(18,979)
Cash at Beginning of Year	188,230
CASH AT END OF YEAR	\$169,251
Balance Sheet Classification of Cash and Cash Equivalents	
Demand deposits and savings	\$89,112
Restricted Cash	80,139
Total cash and cash equivalents	\$169,251
Reconciliation of Operating Income to Net	
Cash Provided by Operating Activities:	
Operating Loss	(\$11,784)
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation	85,843
Changes in Assets and Liabilities	
Customer Accounts Receivable	(2,015)
Due from Other Funds	(18,116)
Accounts Payable	(1,017)
Due Other Funds	559
Interest Payable	(167)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$53,303

The notes to financial statements are an integral part of this statement

TOWNSHIP OF MCMILLAN
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
March 31, 2006

ASSETS	
Cash and cash equivalents	\$17,958
<hr/>	
TOTAL ASSETS	<u>\$17,958</u>
LIABILITIES	
Due to other funds	\$1,058
Due to other	489
Fund Balance	<u>16,411</u>
<hr/>	
TOTAL LIABILITIES	<u>\$17,958</u>

The notes to financial statements are an integral part of these statements

TOWNSHIP OF MCMILLAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

(A) Reporting Entity

The Township of McMillan operates with an elected Board of Trustees. The governing board is composed of five elected members, which include the supervisor, treasurer, and clerk. The Township provides its residents services in many areas including public safety, highways and streets, planning, zoning and general administrative services. The accompanying financial statements present the government and its component units for which the government is considered to be financially accountable.

(B) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead

as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable-Property Taxes

The Township of McMillan's property tax is levied on each December 1st on the taxable value of property (as defined by state statutes) located in the Local Governmental Unity as of the preceding December 31st .

The 2005 taxable valuation of the Local Governmental Unit totaled \$11,131,644 on which ad valorem taxes levied consisted of 5.2678 mills for the Local Governmental Unit operating purposes. The amounts are recognized in the General Fund.

The government reports the following major Governmental Fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collections system.

Private sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

(D) Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items-Inventories are recorded as expenditures when consumed rather than when purchased.

Restricted Assets-The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	25 years
Vehicles	8 years
Office Equipment	5 years
Computer Equipment	5 years

Compensated Absences (Vacation and Sick Leave)-It is the government's policy to permit employees to accumulate unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide proprietary, fiduciary fund financial statements and the governmental funds.

Long-Term Obligations-In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount. The face amount of debt issued is reported as other financing sources.

Fund Equity-In the fund financial statements, government funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgeting Information-Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end.

The Supervisor, with the help of the Clerk and the Treasurer, prepares the proposed budget for presentation to the Township Board during March for the fiscal year beginning on April 1. Budget hearings are scheduled in March to obtain taxpayer comments. The Budget is adopted by the Township Board prior to April 1.

The general fund revenues and expenditures are accounted for in accordance with the adopted budget.

Formal budgets are not required for the operations of the propriety fund types but revenues and expenditures are related to budgetary estimates on an informal basis to achieve objectives.

Excess of Expenditures Over Appropriation in Budgeted Funds
In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds

NOTES TO FINANCIAL STATEMENTS (Continued)

have been shown on a functional basis. The approved budgets of the Township of these budgetary funds were adopted to the activity level.

The Township has not complied with all the provisions of P.A. 621 of 1978.

The act provides that the budget must be amended whenever actual revenues are less than budgeted amounts or expenditures exceed budgeted amounts at the level of the adopted budget. Budget variances of this nature are shown in the body of the financial statements.

NOTE 3 - WATER SUPPLY SYSTEM REVENUE BONDS

The construction and installation in 1974 of a domestic water system servicing the community of Ewen was financed by the issuance and sale of \$195,000 1974 Water Supply System Revenue bonds and by an \$85,000 grant from the Farmers Home Administration. Principal and interest are payable from the income and revenues derived from operation of the water supply system.

The unamortized cost of the original water supply system has not been recorded on the books of account because the amount is not determinable but it is believed to be nominal.

Data relevant to water fund revenue bonds at March 31, 2006, were as follows:

Date of issue - 1974
Amount of original issue - \$195,000
Outstanding at March 31, 2006 - \$56,000
Interest rate - 5%
Interest dates - January 1 and July 1
Principal payment date - January 1
Payments on principal during year ended March 31, 2007
- \$8,000

Debt service charges until maturity are as follows:

<u>Year ending</u> <u>March 31,</u>	<u>Amount Payable</u> <u>Each Year</u>	<u>Total</u>
2007	8,000	\$ 8,000
2008-2013	8,000	<u>48,000</u>
		\$56,000

Under a revenue bond ordinance adopted by the proprietary fund, the Water Fund is required to segregate receipts to establish

NOTES TO FINANCIAL STATEMENTS (Continued)

required reserve accounts. Following is a summary of required reserves and funding levels at March 31, 2006:

	Required Reserve at March 31, 2006	Balance at March 31, 2006
Bonds and Interest		
Redemption Fund	\$11,450	\$16,064
General Purpose Account	\$10,000	\$27,831

NOTE 4 - WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BONDS

In 1996 the Township began construction work on improvements to the water supply system. The improvements were financed by the issuance of Revenue Bonds totaling \$283,000 and a grant of \$846,000 from Rural Economic Development of the U.S. Department of Agriculture.

Data relative to the 1996 Water Supply System Junior Lien Revenue Bonds at March 31, 2006:

Date of Issue:	June 20, 1996
Amount of Original Issue:	Series A 253,000
	Series B <u>30,000</u>
	Total 283,000

Outstanding March 31, 2006: \$251,500

Interest Rate: 4.5%

Interest Dates: June 1 and December 1

Principal Payment Dated: December 1

Payment on principal during year ended March 31, 2007:

Series A	4,000
Series B	500

Bonds are subject to redemption prior to maturity an any interest payment date in reverse numeric order.

These bonds are self liquidation bonds and are not a general obligation of McMillan Township, but are payable solely from the revenue of the system.

Debt service charges until maturity are as follows:

Year Ended	Principal		Interest	Total
March 31	Series A	Series B		
2007	4,000	500	11,115	15,615
2008	4,000	500	10,912	15,412
2009	4,000	500	10,710	15,210
2010	4,000	500	10,507	15,007
2011	4,000	500	10,305	14,805
2012	4,000	500	10,103	14,603
2013	4,000	500	9,900	14,400

NOTES TO FINANCIAL STATEMENTS (Continued)

2014	5,000	500	9,697	15,197
2015	5,000	500	9,450	14,950
2016	5,000	500	9,203	14,703
2017	5,000	500	8,955	14,455
2018	5,000	1,000	8,707	14,707
2019	7,000	1,000	8,438	16,438
2020	7,000	1,000	8,077	16,077
2021	8,000	1,000	7,718	16,718
2022	8,000	1,000	7,312	16,312
2023	8,000	1,000	6,908	15,908
2024	8,000	1,000	6,502	15,502
2025	8,000	1,000	6,098	15,098
2026	8,000	1,000	5,692	14,692
2027	9,000	1,000	5,288	15,288
2028	9,000	1,000	4,837	14,837
2029	10,000	1,000	4,388	15,388
2030	10,000	1,000	3,892	14,892
2031	10,000	1,000	3,398	14,398
2032	11,000	1,000	2,902	14,902
2033	11,000	1,000	2,363	14,363
2034	12,000	1,000	1,823	14,823
2035	12,000	1,000	1,238	14,238
2036	13,000	1,500	652	15,152
Totals	222,000	25,000	207,090	454,090

Under the revenue bond ordinance adopted by the proprietary fund, the Water Fund is required to segregate receipts to establish required reserve accounts. Following is a summary of required reserves and funding levels at March 31, 2006:

	Required Reserve March 31, 2006	Balance March 31, 2006
Junior Lien Bonds Bond and Interest Redemption Fund	\$3,904	\$3,884
Junior Lien Bonds Reserve Fund	\$16,650	\$10,406

NOTE 5 - SEWAGE DISPOSAL BONDS

On April 9, 1998 McMillan Township issued Sanitary Sewage Disposal System Revenue Bonds, Series 1998. Data relevant to the bonds is as follows:

Date of Issue: April 9, 1998
 Amount of original issues: \$100,000
 Outstanding March 31, 2005 \$92,000
 Interest Rate: 4.75%
 Interest payment dates: March 1 and September 1
 Principal payment date: March 1
 Payment on principal
 during year ended March 31, 2007: \$1,000

NOTES TO FINANCIAL STATEMENTS (Continued)

This bond is subject to redemption prior to maturity on any interest payment date in inverse chronological order.

This is a self liquidating bond and is not a general obligation of McMillan Township, but is payable solely from the revenue of the system.

Debt service charges until maturity are as follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	1,000	4,370	5,370
2008	1,000	4,323	5,323
2009	1,000	4,275	5,275
2010	2,000	4,227	6,227
2011	1,000	4,133	5,133
2012	2,000	4,085	6,085
2013	1,000	3,990	4,990
2014	2,000	3,942	5,942
2015	2,000	3,848	5,848
2016	2,000	3,752	5,752
2017	2,000	3,658	5,658
2018	2,000	3,562	5,562
2019	2,000	3,468	5,468
2020	2,000	3,372	5,372
2021	3,000	3,278	6,278
2022	2,000	3,135	5,135
2023	3,000	3,040	6,040
2024	3,000	2,897	5,897
2025	3,000	2,755	5,755
2026	3,000	2,613	5,613
2027	3,000	2,470	5,470
2028	3,000	2,327	5,327
2029	4,000	2,185	6,185
2030	3,000	1,995	4,995
2031	4,000	1,853	5,853
2032	4,000	1,662	5,662
2033	4,000	1,473	5,473
2034	5,000	1,282	6,282
2035	4,000	1,045	5,045
2036	5,000	855	5,855
2037	5,000	618	5,618
2038	8,000	380	8,380
TOTALS	<u>\$92,000</u>	<u>\$ 90,868</u>	<u>\$182,868</u>

Under the revenue bond ordinance adopted by the proprietary fund, the Sewer Fund is required to segregate receipts to establish required reserve accounts. Following is a summary of required reserves and funding levels at March 31, 2006.

NOTES TO FINANCIAL STATEMENTS (Continued)

	Required Reserve <u>March 31, 2006</u>	Balance <u>March 31, 2006</u>
Interest Redemption Fund	\$ 1,343	\$1,402
Bond Reserve Fund	\$ 4,650	\$2,250

NOTE 6 - SEWAGE DISPOSAL BONDS

In 2003, the Township began work on improvements to the sewage disposal system. The improvements were financed by the issuance of Revenue Bonds totaling \$464,000 and a grant of \$1,028,000 from Rural Development of the U.S. Department of Agriculture. Data relative to the 2003 Sanitary Sewage Disposal System Junior Lien Bonds at March 31, 2006:

Date of Issue: June 25, 2003
Amount of Original Issue: Series A \$414,000
 Series B 50,000
 Total \$464,000
Outstanding March 31, 2006: \$455,000
Interest Rate: 4.5%
Interest Dates: June 1 and December 1
Principal Payment Date: June 1
Payment on principal during year ended March 31, 2007
 Series A \$4,000
 Series B \$ 500

Bonds are subject to redemption prior to maturity in reverse numeric order.

These bonds are self liquidating bond and is not a general obligation of McMillan Township, but is payable solely from the revenue of the system.

Debt service charges until maturity are as follows:

Year ending <u>March 31</u>	Principal <u>Series A</u>	Principal <u>Series B</u>	<u>Interest</u>	<u>Total</u>
2007	4,000	500	20,676	24,976
2008	4,000	500	20,274	24,774
2009	5,000	600	20,070	25,670
2010	5,000	600	19,820	25,420
2011	5,000	600	19,566	25,166
2012	5,000	600	19,316	24,916
2013	5,000	700	19,062	24,762
2014	6,000	700	18,808	25,508
2015	6,000	700	18,506	25,206
2016	6,000	800	18,204	25,004
2017	7,000	800	17,898	25,698
2018	7,000	800	17,546	25,346

NOTES TO FINANCIAL STATEMENTS (Continued)

2019	7,000	900	17,196	25,096
2020	7,000	900	16,840	24,740
2021	8,000	1,000	16,486	25,386
2022	8,000	1,000	16,084	25,084
2023	9,000	1,000	15,680	25,680
2024	9,000	1,100	15,228	25,328
2025	9,000	1,100	14,776	24,876
2026	10,000	1,200	14,320	25,520
2027	10,000	1,200	13,816	25,016
2028	11,000	1,300	13,312	25,612
2029	11,000	1,300	12,760	25,060
2030	12,000	1,400	12,204	25,604
2031	12,000	1,500	11,602	25,102
2032	13,000	1,500	10,994	25,494
2033	13,000	1,600	10,342	24,942
2034	14,000	1,700	9,684	25,384
2035	14,000	1,700	8,978	24,678
2036	15,000	1,800	8,272	25,072
2037	16,000	1,900	7,516	25,416
2038	17,000	2,000	6,712	25,712
2039	17,000	2,100	5,856	24,956
2040	18,000	2,200	4,996	25,196
2041	19,000	2,300	4,088	25,388
2042	20,000	2,400	3,128	25,528
2043	21,000	2,500	2,120	25,620
2044	<u>21,000</u>	<u>2,500</u>	<u>1,064</u>	<u>24,664</u>
Totals	406,000	49,000	503,600	958,600

Under the revenue bond ordinance adopted by the proprietary fund, the Sewer Fund is required to segregate receipts to establish required reserve accounts. Following is a summary of required reserves and funding levels at March 31, 2006.

	<u>Required Reserve</u> <u>March 31, 2006</u>	<u>Balance</u> <u>March 31, 2006</u>
Interest Redemption Fund	\$ 8,650	\$3,450
Bond Reserve Fund	\$15,725	\$2,325

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2006, were as follows:

<u>Fund</u>	<u>Interfund</u> <u>Receivable</u>	<u>Fund</u>	<u>Interfund</u> <u>Payable</u>
General	\$ 1,058	Sewer	\$ 7,162
Water	37,232	Tax	1,058
Sewer		Water	
Special Revenue		General	<u>30,070</u>
	<u>\$ 38,290</u>		<u>\$ 38,290</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - PUBLIC ACT 275 OF 1980 DISCLOSURE

As of March 31, 2006 the Township General Fund has a deficit of \$17,195 . The Township will be filing a deficit elimination plan with the Michigan Department of Treasury.

NOTE 9 - LEGAL NON-COMPLIANCE/VIOLATION OF FINANCE RELATED PROVISIONS

The Township has not provided for the funding of the following reserved accounts for the water and sewer funds as of March 31, 2006.

<u>Purpose</u>	<u>Required Amount</u>	<u>Actual Balance</u>
1996 Water Supply- Interest Redemption Fund	\$ 3,904	\$ 3,884
Bond Reserve Fund	\$16,650	\$10,406
1998 Sanitary Sewer Bond Reserve Fund	\$ 4,650	\$ 2,250
2003 Sanitary Sewer Bond Reserve Account	\$ 8,650	\$ 3,450
Repair, Replacement and Improvement	\$15,725	\$ 2,325

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land				
Construction in Progress				
Subtotal				
Capital Assets Being Depreciated				
Buildings	12,173	10,671		22,844
Improvements Other Than Buildings				
Machinery & Equipment	172,903			172,903
Infrastructure				
Subtotal	185,076	10,671		195,747
Less Accumulated Depreciation for				
Buildings	(2,950)	(789)		(3,739)
Improvements Other Than Buildings				
Machinery & Equipment	(70,078)	(9,692)		(79,770)
Infrastructure				
Subtotal	(73,028)	(10,481)		(83,509)
Net Capital Assets Being Depreciated	112,048	190		112,238
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$			
Subtotal				
Capital Assets Being Depreciated				
Buildings	24,042			24,042
Improvements Other Than Buildings	58,685	6,200		64,885
Infrastructure	3,663,068	8,800		3,671,868
Subtotal	3,745,795	15,000		3,760,795

NOTES TO FINANCIAL STATEMENTS (Continued)

Less Accumulated Depreciation for			
Buildings	(3,656)	(601)	(4,257)
Improvements Other Than Buildings			
Machinery & Equipment	(21,141)	(5,940)	(27,081)
Infrastructure	(675,967)	(79,302)	(755,269)
Subtotal	<u>(700,764)</u>	<u>(85,843)</u>	<u>(786,607)</u>
Net Capital Assets Being Depreciated	<u>3,045,031</u>	<u>(70,843)</u>	<u>\$2,974,188</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 345
Public Safety	8,197
Public Works	402
Economic Development	1,537
Recreation and Culture	
Total Governmental Activities	<u>\$10,481</u>
Business-Type Activities	
Water	\$41,060
Sewer	<u>44,783</u>
Total Business-Type Activities	<u>\$85,843</u>

NOTE 10 - PROPRIETARY FUND-TYPE CASH

The cash balance for enterprise funds includes \$43,660 in bond and interest redemption accounts and \$28,266 in a General Purpose account. The accounts are restricted for payment of revenue bond principle, interest and expenses.

NOTE 11 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129-91, authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal Agency obligation repurchase agreements; bankers acceptance of United States banks; Commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchases and which involve no more than 50% of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local

NOTES TO FINANCIAL STATEMENTS (Continued)

units of government in Michigan. Michigan law prohibits security in the form of collateral , surety bonds, or other forms for deposit of public money.

McMillan Township of Ewen has designated one bank for the deposit of funds. The township's investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

	Carrying <u>Value</u>	Bank <u>Balance</u>	<u>Fund</u>
Insured - FDIC	\$150,808	\$168,724	
Uninsured - Uncollateralized	<u>63,504</u>	<u>70,667</u>	
	\$214,312	\$239,391	

NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintains two Enterprise Funds, a Water Fund and a Sewer Fund. Segment information for the year ended March 31, 2006 was as follows:

Enterprise

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Fund Totals</u>
Operating revenues	\$72,953	\$67,240	\$140,193
Depreciation expense	41,060	44,783	85,843
Operating income (loss)	(2,837)	(8,947)	(11,784)
Restricted donations & operating grants	-0-	-0-	-0-
Operating transfers in (out)	-0-	-0-	-0-
Tax revenues	-0-	-0-	-0-
Increase (decrease) in retained earnings	(17,166)	(33,828)	
(50,994)			
Current capital contributions	-0-	-0-	-0-
Land, buildings & equip:			
Additions	6,200	8,800	15,000
Deletions	-0-	-0-	-0-
Net increase (decrease) In cash flows	(14,745)	(4,234)	(18,979)
Long term debt - payable from operating revenues (Including portion payable within one year)	303,000	547,000	850,000
Retained earnings	\$1,003,899	\$1,354,108	\$2,358,007

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 13 - ACCOUNTS RECEIVABLE

Accounts receivable and related allowances for uncollectibles are as follows:

	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
General Fund	\$ 9,300	\$ 0	\$ 9,300
Water Fund	24,205	0	24,205
Sewer Fund	<u>22,617</u>	<u>0</u>	<u>22,617</u>
Net Receivables	\$56,122	\$ 0	\$56,122

NOTE 14 - PENSIONS AND OTHER EMPLOYEE BENEFIT PLANS

The Township does not cover any employees under a pension plan. No township employees are eligible for postemployment benefits other than pension benefits, and the township does not have a deferred compensation plan for any of its employees.

NOTE 15 - RISK MANAGEMENT

The Township is exposed to various risks of losses related to property loss, torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$2,000,000 per occurrence and a \$2,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund and Enterprise Funds of the Township. Expenditures and Claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2006, will not materially affect the financial condition of the Township. Therefore, the General fund contains no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 16 - CHANGES IN LONG TERM DEBT - ALL FUNDS

Long Term Debt - All Funds	2005	2006	Change
Current Portion	\$ 18,000	\$ 18,000	
Non Current Portion	<u>850,000</u>	<u>832,000</u>	(18,000)
Total	\$868,000	\$850,000	(\$18,000)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 17 - ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY FOR THE GOVERNMENTAL BOND & NOTE OBLIGATIONS ARE AS FOLLOWS:

<u>Year ending March 31</u>	<u>Business Type Activities</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007	\$18,000	38,661	56,661
2008	18,000	37,809	55,809
2009	19,100	36,955	56,055
2010	20,100	36,054	56,154
2011	19,100	35,104	54,204
2012-2016	82,000	162,866	244,866
2017-2021	87,900	145,199	233,099
2022-2026	109,400	123,040	232,440
2027-2031	146,700	96,327	243,027
2032-2036	158,300	63,565	221,865
2037-2041	110,500	30,166	140,666
2042-2045	<u>60,900</u>	<u>6,312</u>	<u>67,212</u>
TOTAL	\$850,000	\$812,058	\$1,662,058

REQUIRED SUPPLEMENTAL
FINANCIAL INFORMATION

TOWNSHIP OF MCMILLAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended March 31, 2006

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Taxes	\$46,000	\$73,683	\$27,683
Licenses and permits		1,560	1,560
State grants	30,000	53,158	23,158
Charges for services		2,000	2,000
Interest and rentals		550	550
Other	27,000	17,369	(9,631)
TOTAL REVENUES	103,000	148,320	45,320
EXPENDITURES			
Legislative	2,200	1,950	250
General government	51,000	44,285	6,715
Public safety	22,200	32,355	(10,155)
Public works	52,800	25,190	27,610
Health and welfare			
Culture and recreation	34,000	38,164	(4,164)
Capital outlay			
Debt service			
Other	18,000	14,765	3,235
TOTAL EXPENDITURES	180,200	156,709	23,491
EXCESS OF REVENUES (EXPENDITURES)	(77,200)	(8,389)	68,811
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(77,200)	(8,389)	68,811

MCMILLAN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE

Year ended March 31, 2006

	General Fund		Variance
	Budget	Actual	Favorable (Unfavorable)
FUND BALANCE APRIL 1, 2005	(\$8,806)	(\$8,806)	
PRIOR PERIOD ADJUSTMENTS			
Prior period adjustment for			
interfund billing			
Correction to prior period amounts			
due from other funds			
FUND BALANCE MARCH 31, 2006	(\$86,006)	(\$17,195)	\$68,811

The notes to financial statements are an integral part of these statements.

OTHER SUPPLEMENTAL INFORMATION

TOWNSHIP OF McMILLAN
 DETAIL OF REVENUES - BUDGET AND ACTUAL
 MAJOR GOVERNMENTAL FUNDS
 GENERAL FUND
 Year ended March 31, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
<hr/>			
Taxes:			
Current Property Taxes:			
Real and Personal		\$51,120	
Commercial Forest Reserve		1,155	
Payment in Lieu of Tax		14,110	
		<hr/>	
		66,385	
Delinquent Property Taxes:			
Real and Personal		1,613	
Property Tax Administration Fees		5,685	
		<hr/>	
	\$46,000	\$73,683	\$27,683
Building Permits		1,560	1,560
State Grants:			
Revenue Sharing		48,194	
Library Aid		2,198	
Liquor Enforcement		495	
Right of Way Funds		2,271	
		<hr/>	
	30,000	53,158	23,158
Federal Grants:			
Fire Truck			
Charges for Services:			
Lewis Jensen Cemetery Trust Fund		400	
Fire Department		700	
Cemetery		900	
Library			
Miscellaneous			
		<hr/>	
		2,000	2,000
Library Penal Fines	24,000	12,453	(11,547)
Interest and Rents:			
Interest Earned			
Rents		550	
		<hr/>	
		\$550	\$550

TOWNSHIP OF McMILLAN
 DETAIL OF REVENUES -BUDGETAND ACTUAL (CONT.)
 MAJOR GOVERNMENTAL FUNDS
 GENERAL FUND
 Year ended March 31, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
Other Revenues:			
Library Contributions		1,539	
Reimbursements		2,110	
Miscellaneous		1,267	
	3,000	4,916	1,916
TOTAL REVENUES	103,000	148,320	45,320
Other Financing Source - Operating Transfers in			
TOTAL REVENUES AND OTHER FINANCING SOURCE	\$103,000	\$148,320	\$45,320

TOWNSHIP OF McMILLAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL
Year ended March 31, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
LEGISLATIVE			
Township Board:			
Salaries and Fringes		\$1,950	
Supplies			
Contracted Services			
Advertising			
Insurance			
Miscellaneous			
TOTAL LEGISLATIVE	\$2,200	1,950	\$250
GENERAL GOVERNMENT			
Supervisor:			
Salary and Fringes		6,603	
Mileage		600	
Telephone			
	7,000	7,203	(203)
Assessor:	8,000	7,494	506
Clerk:			
Salary and Fringes		8,775	
Office Supplies		401	
Telephone		352	
Travel		635	
Insurance and Bonds			
Capital Outlay			
	13,000	10,163	2,837
Treasurer:			
Salary and Fringes		7,203	
Office Supplies		1,047	
Printing and Publishing		695	
Travel		600	
Contracted Services		1,992	
	11,000	11,537	(537)
Board of Review:	1,000	789	211

TOWNSHIP OF McMILLAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL
Year ended March 31, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
<hr/>			
GENERAL GOVERNMENT (CONTINUED)			
Townhall:			
Salaries, Wages and Fringes		1,721	
Contracted Services			
Supplies		401	
Insurance			
Utilities		1,903	
Copy Machine Expense			
Miscellaneous			
Capital Outlay			
	<hr/>	<hr/>	<hr/>
	5,000	4,025	975
Elections:	1,000	728	272
Attorney:			
Cemetery:			
Wages and Fringes		1,216	
Operating Supplies		545	
Repairs and Maintenance			
Insurance			
Contracted Services		585	
Miscellaneous			
	<hr/>	<hr/>	<hr/>
	5,000	2,346	2,654
	<hr/>	<hr/>	<hr/>
TOTAL GENERAL GOVERNMENT	51,000	44,285	6,715
<hr/>			
PUBLIC SAFETY			
Fire Department:			
Salaries, Wages and Fringes		3,546	
Operating Supplies		6,620	
Telephone		737	
Utilities		5,056	
Insurance			
Travel			
Hydrant Rental		3,600	
Repairs and Maintenance		12	
Capital Outlay		10,671	
	<hr/>	<hr/>	<hr/>
	20,000	30,242	(10,242)

TOWNSHIP OF McMILLAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL
Year ended March 31, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
PUBLIC SAFETY (CONTINUED)			
Building Inspector:	1,000	913	87
Liquor Law Enforcement:	1,200	1,200	
Zoning Board:			0
TOTAL PUBLIC SAFETY	22,200	32,355	(10,155)
PUBLIC WORKS			
Department of Public Works:			
Wages and Fringes		6,063	
Supplies		74	
Contracted Services		2,307	
Transportation			
Insurance		5,047	
Utilities		537	
Miscellaneous		173	
Capital Outlay			
Total Dept of Public Works:	24,800	14,201	10,599
Roads and Bridges:	15,000	1,040	13,960
Garbage Removal:	2,000	1,652	348
Street Lighting:	11,000	8,297	2,703
TOTAL PUBLIC WORKS	52,800	25,190	27,610
RECREATION AND CULTURAL			
Senior Citizens Center:			
Repairs and Maintenance Supplies		92	
Utilities		8,182	
	10,000	8,274	1,726

TOWNSHIP OF McMILLAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL
Year ended March 31, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
<hr/>			
RECREATION AND CULTURAL (CONTINUED)			
Library:			
Salaries, Wages and Fringes		13,537	
Contracted Services		1,821	
Supplies		2,721	
Books and Subscriptions		5,254	
Travel		182	
Utilities		5,369	
Capital Outlay			
Insurance			
Telephone		1,006	
Miscellaneous			
	24,000	29,890	(5,890)
TOTAL RECREATION AND CULTURAL	34,000	38,164	(4,164)
<hr/>			
OTHER FUNCTIONS			
General Labor-FICA		4,429	
Insurance-Hospitalization Insurance		10,336	
Other			
TOTAL OTHER FUNCTIONS	18,000	14,765	3,235
<hr/>			
TOTAL EXPENDITURES	\$180,200	\$156,709	\$23,491
	=====	=====	=====

COMBINING BALANCE SHEET - ENTERPRISE FUNDS
TOWNSHIP OF McMILLAN

	March 31, 2006			March 31, 2005		
	Water Fund	Sewer Fund	Total	Water Fund	Sewer Fund	Total
	ASSETS			ASSETS		
CURRENT ASSETS						
Cash:						
Demand Deposits and Savings	\$79,685	\$17,640	\$97,325	\$94,430	\$21,874	116,304
Customer Accounts Receivable:						
Current	13,502	12,998	26,500	13,170	14,060	27,230
Delinquent	9,949	9,619	19,568	7,846	7,627	15,473
Other	754		754	2,104		2,104
Due from Other Funds	37,232		37,232	19,116		19,116
TOTAL CURRENT ASSETS	141,122	40,257	181,379	136,666	43,561	180,227
UTILITY PLANT IN SERVICE	1,557,947	2,202,848	3,760,795	1,551,747	2,194,048	3,745,795
Less Allowance for Depreciation	449,880	336,727	786,607	408,820	291,944	700,764
	1,108,067	1,866,121	2,974,188	1,142,927	1,902,104	3,045,031
Construction in Progress						
	1,108,067	1,866,121	2,974,188	1,142,927	1,902,104	3,045,031
OTHER ASSETS						
Restricted Cash:						
Bond Reserve Account	34,233	9,427	43,660	34,233	9,427	43,660
General Purpose Account	28,266		28,266	28,266		28,266
	62,499	9,427	71,926	62,499	9,427	71,926
TOTAL ASSETS	\$1,311,688	\$1,915,805	\$3,227,493	\$1,342,092	\$1,955,092	\$3,297,184
	=====	=====	=====	=====	=====	=====
	LIABILITIES			LIABILITIES		
CURRENT LIABILITIES						
Accounts Payable	\$384	\$346	\$730	\$955	\$792	\$1,747
Payroll and Related Withholdings						
Interest	4,405	7,189	11,594	4,572	7,261	11,833
Due General Fund						
Due to Water Fund		7,162	7,162		6,603	6,603
Deferred Revenue						
Current Maturity/Long-Term Debt	12,500	5,500	18,000	12,500	5,500	18,000
TOTAL CURRENT LIABILITIES	17,289	20,197	37,486	18,027	20,156	38,183
LONG-TERM DEBT						
Note Payable to Bank						
Revenue Bonds Payable	303,000	547,000	850,000	315,500	552,500	868,000
	303,000	547,000	850,000	315,500	552,500	868,000
Less Amt. Classif./Current Liab.	12,500	5,500	18,000	12,500	5,500	18,000
	290,500	541,500	832,000	303,000	547,000	850,000
RETAINED EARNINGS (DEFICIT)	1,003,899	1,354,108	2,358,007	1,021,065	1,387,936	2,409,001
TOTAL LIABILITIES AND EQUITY	\$1,311,688	\$1,915,805	\$3,227,493	\$1,342,092	\$1,955,092	\$3,297,184
	=====	=====	=====	=====	=====	=====

COMBINING STATEMENT OF REVENUES, EXPENSES AND
ENTERPRISE
TOWNSHIP OF

	Year Water Fund	ended March 31, 2006 Sewer Fund	Total
Operating Revenues:			
Charges to Customers	\$69,353	\$67,240	\$136,593
Hydrant Rental	3,600		3,600
Other			
	72,953	67,240	140,193
Operating Expenses:			
Salaries and Wages	8,087	9,455	17,542
Employee Benefits	619	723	1,342
Supplies	1,959	452	2,411
Repairs	6,996	4,543	11,539
Outside Services	6,313	3,225	9,538
Utilities	2,684	5,486	8,170
Provision for Depreciation	41,060	44,783	85,843
Insurance and Bonds	6,404	6,005	12,409
Collection Fees	67	65	132
Travel			0
Other	1,601	1,450	3,051
	75,790	76,187	151,977
OPERATING INCOME (LOSS)	(2,837)	(8,947)	(11,784)
Other Income:			
Interest Earned	21	41	62
Equipment Reimbursement			
Construction Grant			
	21	41	62
	(2,816)	(8,906)	(11,722)
Other Deduction - Interest on Long-Term Debt	14,350	24,922	39,272
NET INCOME (LOSS)	(17,166)	(33,828)	(50,994)
Retained earnings beginning of year,	1,021,065	1,387,936	2,409,001
RETAINED EARNINGS AT YEAR END	\$1,003,899	\$1,354,108	\$2,358,007

CHANGES IN RETAINED EARNINGS
FUNDS
McMILLAN

Year ended March 31, 2005		
Water Fund	Sewer Fund	Total
\$66,638	\$64,002	\$130,640
3,600		3,600
70,238	64,002	134,240
8,745	10,154	18,899
675	786	1,461
5,093	979	6,072
1,810	7,343	9,153
6,576	3,037	9,613
3,582	5,985	9,567
40,775	43,507	84,282
5,520	8,591	14,111
47	47	94
210		210
2,644	3,247	5,891
75,677	83,676	159,353
(5,439)	(19,674)	(25,113)
385	40	425
15,713		15,713
	106,500	106,500
16,098	106,540	122,638
10,659	86,866	97,525
14,952	24,985	39,937
(4,293)	61,881	57,588
1,025,358	1,326,055	2,351,413
\$1,021,065	\$1,387,936	\$2,409,001

COMBINING STATEMENT OF CASH FLOWS
TOWNSHIP OF

	Year ended March 31, 2006		
	Water Fund	Sewer Fund	Total
Cash Flows / Operating Activities:			
Cash Received from Customers	\$68,268	\$66,310	\$134,578
Hydrant Rental	3,600		3,600
Other Income			
Payments to suppliers	(26,672)	(21,113)	(47,785)
Payments to employees	(8,796)	(10,178)	(18,974)
Internal Activity-Payments to other funds	(18,116)		(18,116)
NET CASH PROVIDED BY OPERATING ACTIVITIES	18,284	35,019	53,303
Cash Flows from Capital and Related Financing Activities:			
Construction Grant			
Proceeds from Borrowing			
Principal Paid on Revenue Bonds			
Principal Paid on Note Payable			
Principal and Interest on Long Term Debt	(26,850)	(30,494)	(57,344)
Construction on Utility Plant		(8,800)	(8,800)
Equipment Purchase	(6,200)		(6,200)
NET CASH FROM (USED FOR) IN CAPITAL AND RELATED FINANCING ACTIVITIES	(33,050)	(39,294)	(72,344)
Cash Flows from Investing Activities -			
Interest Earned	21	41	62
NET INCREASE (DECREASE) IN CASH	(14,745)	(4,234)	(18,979)
Cash at Beginning of Year	156,929	31,301	188,230
CASH AT END OF YEAR	\$142,184	\$27,067	\$169,251
Balance Sheet Classifications of Cash and Cash Equivalents			
Demand Deposits and Savings	\$79,685	\$9,427	\$89,112
Restricted Assets	62,499	\$17,640	80,139
TOTAL CASH AND CASH EQUIVALENTS	\$142,184	\$27,067	\$169,251

- ENTERPRISE FUNDS
McMILLAN

Year ended March 31, 2005		
Water Fund	Sewer Fund	Total
\$65,641	\$60,637	\$126,278 0
(26,574)	(67,022)	(93,596)
(9,420)	(10,940)	(20,360)
(2,255)	(10,258)	(12,513)
27,392	(27,583)	(191)
	106,500	106,500
(27,452)	(30,485)	(57,937)
	(72,499)	(72,499)
15,713		15,713
(11,739)	3,516	(8,223)
385	40	425
16,038	(24,027)	(7,989)
140,891	55,328	196,219
\$156,929	\$31,301	\$188,230
=====	=====	=====
\$94,430	\$9,427	\$103,857
62,499	21,874	84,373
\$156,929	\$31,301	\$188,230
=====	=====	=====

COMBINING STATEMENT OF CASH FLOWS
TOWNSHIP OF

	Year ended March 31, 2006		
	Water Fund	Sewer Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(2,837)	(8,947)	(11,784)
Adjustments to Reconcile Operating Income(Loss)to Net Cash Provided by Operating Activities:			
Depreciation	41,060	44,783	85,843
Change in Assets and Liabilities			
Customer Accounts Receivable	(1,085)	(930)	(2,015)
Due from Other Funds	(18,116)		(18,116)
Accounts Payable	(571)	(446)	(1,017)
Payroll & Related Withholdings			
Due Other Funds/Interfund adjustment		559	559
Deferred Revenue			
Interest Payable	(167)		(167)
Decrease in Construction in Progress			
Total Adjustments	21,121	43,966	65,087
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$18,284	\$35,019	\$53,303

- ENTERPRISE FUNDS (CONTINUED)
McMILLAN

Year ended March 31, 2005		
Water Fund	Sewer Fund	Total
(5,439)	(19,674)	(25,113)
40,775	43,507	84,282
(4,597)	(3,365)	(7,962)
(2,255)	0	(2,255)
(1,092)	(37,793)	(38,885)
	(10,258)	(10,258)
32,831	(7,909)	24,922
\$27,392	(\$27,583)	(\$191)

TOWNSHIP OF MCMILLAN
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
March 31, 2006

	Trust Fund	Tax Collection Fund	Total
ASSETS			
Cash and cash equivalents	\$16,411	\$1,547	\$17,958
TOTAL ASSETS	\$16,411	\$1,547	\$17,958
	=====	=====	=====
LIABILITIES			
Due to Other Funds		\$1,058	\$1,058
Due to Others		489	489
Fund Balance	16,411		16,411
TOTAL LIABILITIES AND EQUITY	\$16,411	\$1,547	\$17,958
	=====	=====	=====

Jon J. Tomasi
Certified Public Accountant
208 Birch Street
Bergland, Michigan 49910

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.

Supervisor and Members of the Board
Township of McMillan
Ewen, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of McMillan as of and for the year ended March 31, 2006, which collectively comprise the Township of McMillan's basic financial statements and have issued my report thereon dated September 19, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

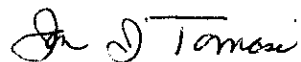
In planning and performing my audit, I considered the Township of McMillan's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted matters involving internal control over financial reporting that I have reported to management of the Township of McMillan in a separate letter dated September 19, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of McMillan's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "J. J. Tomasi".

Certified Public Accountant
Bergland, Michigan
September 19, 2006

Jon J. Tomasi
Certified Public Accountant
208 Birch Street
Bergland, MI 49925

COMMENTS AND RECOMMENDATIONS LETTER

Supervisor and Members of the Board
McMillan Township
Ewen, Michigan

In connection with my audit of the financial statements of McMillan Township for the year ended March 31, 2006, the following concerns regarding the accounting records, procedures, and internal accounting controls came to my attention and are presented for your consideration.

My comments are based upon conditions noted during my audit and are not intended to be all inclusive. These comments are submitted as constructive suggestions to assist you in strengthening controls and procedures and are not intended to reflect on the honesty or integrity of any individual.

General Fund Deficit

As of March 31, 2006 the Township has a General Fund budget deficit of \$17,195. It will be necessary for the Township to prepare a deficit elimination plan for the Michigan Department of Treasury showing how it plans to eliminate this deficit. The deficit was increased by \$8,389 during the 2005-2006 fiscal year.

Budgets

The current Township budget is not prepared in sufficient detail to facilitate budgetary control. The Township should prepare a more detailed budget to enhance budgetary control, monitor the budget throughout the year and amend it when necessary. This is a repeat comment from prior audits.

Reserve Accounts

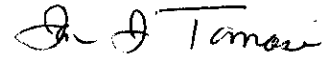
The Water and Sewer Funds are required to maintain various reserve accounts to satisfy bond indenture requirements. There are minor instances of noncompliance as detailed in the notes to the financial statements. The Township should more carefully monitor these deposit requirements to insure compliance with these bond indenture requirements. This is also a repeat comment from prior audits. After the audit, the township has funded these accounts to the proper level.

Township Accounting System

As recommended in last years comments and recommendations letter the township has made progress in establishing a general ledger system and has recorded revenue and expenditure transactions as well as some balance sheet transactions. We recommend the township continue their efforts in this area and to include all balance sheet accounts including cash accounts. Also, cash accounts should be reconciled monthly to the general ledger balances.

I appreciate the opportunity to present these comments and recommendations for your consideration and I am prepared to discuss them at your convenience. I would like to thank you for the excellent cooperation I received during my audit.

This report is intended solely for the use of management and other governmental regulatory agencies and should not be used for any other purpose.

A handwritten signature in black ink, appearing to read "J. J. Tamas".

September 19, 2006

Certified Public Accountant